

Medical Device Daily
Tuesday, December 20, 2016

OPENING DOORS ON XELERATOR

Israel's Medx Ventures seeks earliest-stage med-tech innovations

By Merrill Weber, Contributing Writer

JERUSALEM – At a time when medical device investors typically focus on technology development, one Israeli group is implementing a strategy to search out and identify medical technologies at their earliest stages and push them forward.

The launch of a new accelerator this month pushes that effort that much further. The group, Medx Ventures, was established in 2011 by Harel Gadot, who previously was worldwide group marketing director for Ethicon at Johnson & Johnson, overseeing global strategic marketing. Medx Ventures' strategy is to evaluate prospective portfolio companies for the quality of their management team, technology and intellectual property and then assist those companies in developing their products. This strategy seems to work.

“For five years [since the founding of Medx Ventures] no portfolio company has missed a development milestone or a budget milestone,” Gadot said.

Medx Ventures – which has the gamut of expertise in R&D, finance, business development and regulatory compliance – is now taking its strategy further and expanding its scope.

Earlier this month Medx Ventures opened the doors to Israel's newest high-tech incubator, Medx Xelerator. Medx Xelerator is expected to invest in minimally invasive procedures, medical robotics, medical implants (including drug eluting implants), drug device combinations and digital health.

The Medx Xelerator is one of 19 privately owned and operated incubators that are part of the incubator program of the Israel Innovation Authority, formerly the Office of the Chief Scientist in the Ministry of Economy of the State of Israel (OCS). Under the incubator program, the group that manages the incubator makes its own decisions regarding portfolio companies, subject to approval of the OCS. The OCS covers 85 percent of the cost of funding approved companies during their two-year term in the incubator.

The Medx Xelerator is owned by a consortium that includes Medx Ventures, the Sheba Medical Center in Israel, Boston Scientific Corporation and Intellectual Ventures, a company founded by Nathan Myrhvold, the former chief technology officer at Microsoft, and that includes Bill Gates as an active participant. The incubator began operating in September and is currently evaluating five companies. Gadot expects that the incubator will submit those companies to the OCS for approval in January.

And while the incubator is located in Israel, the entrepreneurs may come from all over the world.

Gadot said that the Medx Xelerator will originate new technologies “rather than fight with other Israeli incubators for the same IP.” In his analysis, translatable ideas are found in three ways: passively, actively, and proactively. The passive approach is to wait to be approached by entrepreneurs. The active approach is to develop relationships with technology transfer offices (TTOs) and physicians with ideas. The proactive approach is to work in partnership with the physicians to develop new ideas. The Medx Xelerator will function as a “pre-seed” incubator, providing the opportunity to develop new products in collaboration with leading experts.

Intellectual Ventures, Gadot said, “is adding tons of value [in advancing the proactive approach]. TTOs in Israel are extremely interested in collaborating with them.” Intellectual Ventures offers “innovation sessions” in which a network of doctors who are expert in their fields, and researchers such as Robert Langer, the David H. Koch Institute Professor at MIT, will meet to understand problems encountered by physicians in their own medical practices and then work to develop solutions to those problems.

Significantly, Gadot said that rights to solutions will belong to the physician or his institution’s TTO, and that Medx will license them in the same manner as though the physicians or the TTO had presented the ideas fully formed.

“We wanted to ensure that we are working with the TTOs and the physicians in a win-win situation,” Gadot said.

Gadot sits on the board of the Medx Xelerator along with representatives of Boston Scientific, Intellectual Ventures, the Sheba Medical Center, and the Corundum Open Innovation Fund, a venture capital fund backed by Japanese corporations that invests in Israel high-tech companies. He also serves as CEO and chairman of Microbot Medical Ltd., a medical device company that is developing micro-robotic devices to perform surgical procedures. That company went public (NASDAQ: MBOT) in November 2016 through a reverse merger and currently has a market capitalization of approximately \$300 million.

Clearly, Gadot does not want to wait for technology but chase after it.

In addition to the incubator, Medx Ventures plans to dive into an even earlier stage of medical device development, with the establishment of a pre-incubator “X Lab”

where entrepreneurial physicians and researchers will work to develop prototype devices at no cost to the entrepreneurs. If the device developed by one of these entrepreneurs turns out to be of interest to the Medx Xelerator, then new companies will be formed around the technologies and those companies will join the incubator. If those technologies are not brought into the incubator, then Medx will waive all rights to the technology. If that happens, the entrepreneurs will have no further obligation to Medx, and they will be free to take their technology anywhere they wish. “We don’t know of another arrangement like that,” Gadot said.

Gadot is establishing a new way to measure success for a medical device incubator.

“Success is not the number of companies you put in the incubator. Success to me looks like how many companies after the incubator will have the ability to live on their own.”

“If we bring in five companies per year, and four can raise meaningful funds, find strategic partners, merge into other entities to strengthen their positions, that to me is the measure of success.”

Medx has operations in Israel and in Boston. Gadot said that the company has no current plans to set up operations in Silicon Valley or elsewhere. “We need to consider Israel and the incubator as a whole,” he said, and not be dependent on geographical presence to originate new ideas.” //